

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 PM-03 NSC-05 SP-02 SS-15 RSC-01 CIAE-00

DODE-00 INR-05 NSAE-00 PA-01 USIA-06 PRS-01 SIL-01

LAB-04 EB-07 COME-00 TRSE-00 SAM-01 /065 W

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R 041105Z DEC 74

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 1170

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E.O. 11652: N/A

TAGS: ELAB PO

SUBJ: EMPLOYMENT REDUCTIONS BY MULTINATIONALS

REF: (A) LISBON 3467; (B) LISBON 5266

SUMMARY: FOLLOWING THE CLOSURE OF ONE U.S. BASED MULTINATIONAL ELECTRONICS FIRM, TWO ADDITIONAL LARGE U.S. OWNED ELECTRONICS FIRMS AND ONE GERMAN FIRM ARE IN THE PROCESS OF LAYING OFF A SIGNIFICANT NUMBER OF THEIR WORKERS. LEFTIST ELEMENTS IN THE LABOR UNIONS, THE MEDIA AND IN OTHER IMPORTANT, VOCAL SECTORS SEE THIS AS A CONFIRMATION OF ACCUSATIONS THAT MULTINATIONAL FIRMS ARE CARRYING OUT ECONOMIC SABOTAGE. THE EMBASSY BELIEVES THAT THIS IS A SERIOUS PROBLEM FOR U.S./PORTUGUESE RELATIONS AND SUGGESTS A COURSE OF ACTION. END SUMMARY.

1. ELECTRONICA SIGNETICS DE PORTUGAL, LTDA, A WHOLLY-OWNED SUBSIDIARY OF SIGNETICS CORP OF SUNNYVALE, CALIFORNIA, WHICH IS IN TURN OWNED BY CORNING GLASS WORKS, IS PRESENTLY ENGAGED IN DISCUSSIONS WITH THE LABOR MINISTRY TO REDUCE ITS LABOR FORCE FROM 600 TO APPROXIMATELY 130. COMPANY STATES THAT REDUCED GLOBAL DEMAND FOR OUTPUT IS THE REASON FOR THE REDUCTION AND THAT LAY-OFFS HAVE ALSO TAKEN PLACE AT SIGNETICS PLANTS IN OTHER COUNTRIES. ABOUT 300 VOLUNTARY TERMINATIONS ARE EXPECTED. THE OTHER 200 PERSONS WILL BE SUBJECT OF THE LIMITED OFFICIAL USE

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NEGOTIATIONS. SIGNETICS PREVIOUSLY NEGOTIATED A SIGNIFICANT

LAY-OFF IN AUGUST WHEN IT REDUCED (SUPPOSEDLY ON A DEFINITIVE BASIS) ITS FORCE FROM 1300 TO 600. SIGNETICS' LATEST ACTION WAS TAKEN AFTER SERIOUSLY CONSIDERING COMPLETE CLOSURE OF OPERATIONS IN PORTUGAL.

2. ITT SEMICONDUCTORS -- STANDARD ELECTRICA, SARL, AN ASSEMBLER OF ELECTRONIC COMPONENTS, HAS JUST SIGNED AN ACCORD WITH THE ELECTRICAL WORKERS UNION AND THE LABOR MINISTRY PROVIDING FOR A REDUCTION IN FORCE FROM APPROXIMATELY 1800 WORKERS TO ABOUT 900. THE REDUCTION OF GLOBAL DEMAND WAS CITED AS THE CAUSE. UNDER THE ARRANGEMENT 800 WORKERS RESIGNED VOLUNTARILY AND RECEIVED THE LEGAL INDEMNITY (FROM \$1200 UP DEPENDING UPON LENGTH OF SERVICE). ANOTHER 80 WILL BE TEMPORARILY FURLOUGHED, RECEIVING 60 PERCENT OF THEIR SALARY FOR A 14-WEEK PERIOD. A THREE-MAN COMMISSION HAS BEEN ESTABLISHED TO WORK OUT OTHER PROBLEMS. THE PLANT IS PRESENTLY OPERATING NORMALLY.

3. ROBERT BOSCH PORTUGUESA, A GERMAN-OWNED MANUFACTURER AND ASSEMBLER, IS ATTEMPTING TO LAY OFF 110 WORKERS WHICH IS 50 PERCENT OF THEIR WORK FORCE. THE FIRM WILL DISCONTINUE MANUFACTURE OF SEVERAL LINES OF HOME APPLIANCES WHICH CONTAIN EXTENSIVE LABOR INPUT AND PORTUGUESE-SUPPLIED RAW MATERIALS. A CUT-BACK IN PRODUCTION OF ELECTRICAL COMPONENTS REPORTEDLY JEOPARDIZES PRODUCTION OF SEVERAL DOMESTIC FIRMS WHICH EXPORT. WORKERS OF BOSCH PORTUGUESA HAVE DEMONSTRATED BEFORE THE GERMAN REPUBLIC EMBASSY IN PROTEST AGAINST THE LAY-OFFS.

4. ON NOVEMBER 27 THE TREASURER OF THE ELECTRICAL WORKERS UNION HELD A PRESS CONFERENCE "TO ALERT THE PUBLIC TO THE WAVE OF FIRINGS" BY MULTINATIONAL FIRMS. HE CALLED FOR UNITY IN FIGHTING THE LAY-OFFS BUT ADMITTED THE GOP WOULD HAVE DIFFICULTY IN ACTING AGAINST THE FIRMS BECAUSE THEY DEPEND UPON FOREIGN PARENTS FOR ALL RAW MATERIALS AND MARKETS. AMONG THE MEASURES HE SUGGESTED TO THE WORKERS WERE STRIKES, DEMONSTRATIONS, AND "THE PROVOCATION OF CONFLICTS IN THE COUNTRY OF THE PARENT FIRM SO THAT IT WILL BE COMPELLED TO SOLVE THE PROBLEM". THERE HAVE BEEN A NUMBER OF ALLEGATIONS IN THE MEDIA AND IT IS A TENET OF FAITH AMONG THE POLITICAL LEFT AND MOST UNION LEADERS THAT THE LAY-OFFS ARE A PLOT OF INTERNATIONAL CAPITALISM AGAINST PORTUGUESE DEMOCRACY. IT IS ALSO ALLEGED THAT THE LAY-OFFS ONLY OCCURRED

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AFTER THE POST-REVOLUTION ESTABLISHMENT OF A MINIMUM WAGE OF \$132 PER MONTH, AN ACTION WHICH DOUBLED THE WAGE LEVEL OF MANY OF THE WORKERS.

5. COMMENT: IT IS NOT CLEAR WHETHER THE RECENTLY PASSED LAW PERMITTING THE GOP TO INTERVENE, AND ULTIMATELY NATIONALIZE, FIRMS LAYING OFF SIGNIFICANT NUMBERS OF EMPLOYEES WILL BE APPLIED TO MULTINATIONALS (SEE REF B). IT IS READILY

APPARENT THAT THE GOP WOULD BE UNABLE TO CONTINUE PRODUCTION OF ASSEMBLY PLANTS WHICH ARE DEPENDENT UPON PARENT FIRMS FOR INPUTS AND MARKETING. THE EMBASSY HAS BEEN TOLD BY A SOURCE IN THE FOREIGN MINISTRY THAT THE LEGISLATION IS AIMED AGAINST FOREIGN FIRMS IN GENERAL BUT NONE IN PARTICULAR. THE INFLUENTIAL, MODERATE PAPER EXPRESSO STATES THAT THE LAW IS THE GOP ANSWER TO ECONOMIC SABOTAGE EFFORTS BY FOREIGN FIRMS, INCLUDING SUBSIDIARIES OF MULTINATIONALS.

6. ACTION SUGGESTED: THE FACT THAT THE WORLD-WIDE MARKETING CRISIS IN THE ELECTRONICS INDUSTRY WHICH HAS RESULTED IN THESE LAY-OFFS, AND EARLIER CONTRIBUTED TO THE APPLIED MAGNETICS SHUT-DOWN, ONLY BECAME APPARENT IN PORTUGAL SHORTLY AFTER THE APRIL 25 REVOLUTION, AND THE FACT THAT THE COMPANIES ARE MULTINATIONALS (AND ESPECIALLY ONE AN ITT SUBSIDIARY) IS BEING PLAYED UPON LOCALLY AS CLEAR CONFIRMATION THAT THE MULTINATIONALS AND THE UNITED STATES ARE ENGAGED IN AN ECONOMIC BOYCOTT TO "DESTABILIZE" PORTUGAL. THE EMBASSY BELIEVES THAT THIS IS A CASE WHERE ACTIONS BY U.S. BASED MULTINATIONAL COMPANIES CAN HAVE A SEVERE AND UNFAVORABLE IMPACT ON U.S./PORTUGUESE RELATIONS. WHILE THE EMBASSY IS AWARE OF THE LIMITATIONS ON THE REPRESENTATIONS WHICH THE U.S. GOVERNMENT CAN MAKE, WE BELIEVE THAT UNDER PRESENT CIRCUMSTANCES THERE IS JUSTIFICATION FOR THE DEPARTMENT TO URGE THE PARENT COMPANIES TO CONSIDER ALL POSSIBLE MEASURES TO MINIMIZE THE UNEMPLOYMENT IMPACT THAT A REDUCTION OF THEIR ACTIVITIES WILL HAVE IN PORTUGAL. THE EMBASSY WILL KEEP THE DEPARTMENT INFORMED OF OTHER CASES WHERE IT IS ALSO BELIEVED THAT SUCH REPRESENTATION MIGHT BE USEFUL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LABOR RELATIONS, PERSONNEL SEPARATIONS, BUSINESS FIRMS, ELECTRONICS INDUSTRY, LABOR FORCE
Control Number: n/a
Copy: SINGLE
Draft Date: 04 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LISBON05317
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740351-0775
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741262/aaaacarc.tel
Line Count: 145
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) LISBON 3467; (B) LISBON 5266
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 30 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 MAY 2002 by rowelle0>; APPROVED <19 MAR 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EMPLOYMENT REDUCTIONS BY MULTINATIONALS
TAGS: ELAB, PO, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005